

STATE SCHOOL AID BILL (HB 5881) SIGNED INTO LAW

The Governor signed House Bill 5881 on Thursday, July 25, 2002. There were no vetoes. The bill was assigned Public Act number 521 of 2002. The following is a very brief summary of the bill.

2002-2003 Changes - \$15 million of additional funding to the Detroit Public Schools, that was eliminated in prior legislation (P.A. 191 of 2002) for 2002-2003, will be rolled into the Detroit Public School's per pupil foundation grant. In subsequent years, foundation allowance adjustments will be applied to the revised per pupil foundation grant contingent upon a school reform board being in place. Also, the 2002-2003 school aid appropriations are adjusted by \$3.5 million to allow Upper Peninsula districts to be eligible for a three-year averaging of their blended pupil counts for 2002-2003 only, if they have fewer than 1,550 pupils in membership and 4.5 pupils or less per square mile and an average of the three most recent years' blended pupil counts would result in a higher pupil count than their current year blend.

2003-2004 - P.A. 521 of 2002 appropriates school aid funds for the 2003-2004 fiscal year. The 2003-2004 appropriations are equal to the 2002-2003 appropriations with the exception of two one-time items from 2002-2003. The two items not continued for 2003-2004 are the \$5.4 million Section 11j School Loan Bond Redemption Fund and the \$4.6 million Section 121a SET Local Treasurer Reimbursement appropriations. **The basic foundation of \$6,700 is maintained for 2003-2004.**

ADDITIONAL CIGARETTE TAX REVENUE DEDICATED TO SCHOOL AID FUND

Prior to signing P.A. 521 of 2002 (see above item) the Governor signed House Bill 5248 on Thursday, July 18, 2002 which dedicates additional cigarette tax revenue to the school aid fund. The bill was assigned Public Act number 503 of 2002. It raises the tax on cigarettes from \$.75 a package to \$1.25 and the tax on other tobacco products from 16 percent of the wholesale price to 20 percent. Approximately \$.20 of the \$.50 increase in the cigarette tax will go to the school aid fund. The school aid fund will receive 75.6 percent of the tax on other tobacco products. The revenue from the increase in the cigarette and other tobacco products tax will be used to help maintain the basic foundation grant at \$6,700 in 2003-2004.

AUGUST PAYMENT INFORMATION

The August state school aid payment is the 11th and final payment of the 2001-2002 year. Information and data that was received in the Office of State Aid and School Finance by July 31 is reflected in the August payment calculations. The payment will be electronically transferred to the districts' accounts on Tuesday, August 20.

Taxable value - The August payment continues to use the *adjusted* 2001 tax roll non-homestead taxable value data, as provided by the county treasurers on the DS-4410B forms for all districts. The taxable value data on the DS-4410B represent the taxable value as of the date of settlement between the local unit treasurer and the county. Subsequent adjustments to the 2001 tax roll will be reported by the county treasurers on the DS-4410C forms (which are due to the Department on October 1, 2002) and will result in a prior year adjustment that will appear on a 2002-2003 status report.

Pupil membership - The audited February and September 2001 pupil counts submitted via the EDN system have been used in the calculation of the August payment. For PSAs in their first or second year of operation, the February 2002 count submitted via the SRSD / MEIS is averaged with the September 2001 count.

Updated categoricals - The following categoricals were updated in the August payment although the updates may not have affected the allocation amounts for all districts. If the allocation amount for your district has changed and you have questions concerning that change, contact the consultants identified below:

- C Section 26 - Renaissance Zone - Howard Heideman, Treasury Department, Office of Revenue and Tax Analysis, (517) 373-9002, HeidemanH@Michigan.gov
- C Section 107 - Adult Education - Joellen Wonsey, School Aid and School Finance, (517) 373-3352, WonseyJ@Michigan.gov. The Section 107 Adult Education allowance amounts for fiscal year 2001-2002 are calculated using the participant counts from July 2001, September 2001, February 2002, and April 2002. The allowance is based on \$2,850 for each FTE up to the statutory cap and \$710.94 for each FTE over the cap.

NONCOMPLIANCE WITH IMMUNIZATION REQUIREMENT RESULTS IN DEDUCTION

Section 167 of the State School Aid Act requires, in part, that at least 95% of a district's newly enrolled pupils have a completed, waived, or provisional immunization record reported to the local health department by February 1 of the school year. Failure to reach the 95% level results in the withholding of 5% of the funds due to the district until the 95% level is achieved. Funds may also be withheld if a district fails to submit a report as required, or submits an incomplete, inaccurate, late report. Six districts / public school academies have had funds withheld from the August payment due to noncompliance with this provision. Questions concerning this requirement may be directed to Patty Lawless in the Office of School Excellence at (517) 373-1122, or LawlessP@Michigan.gov. A district's respective local health department may be contacted for assistance with the updating of immunization data.

WITHHOLDING OF SECTION 31A AT-RISK PUPILS PAYMENT

Pursuant to State School Aid Act Section 31a(6), local districts (including public school academies) that did not submit the 2001-2002 Section 31a Program Report (Form FS-4731-B) by July 15 will have the August portion of the annual allocation withheld until the report is received by the Department. If the report is not received by September 30, the withheld funds will be forfeited. (Please note that if the Office of State Aid and School Finance received word from the Office of Field Services that a report was received prior to the calculation of the August payment on August 7, the funds were not withheld.) Questions may be directed to Linda Brown, Office of Field Services, (517) 373-3921, or BrownLQ@Michigan.gov. The report form can be obtained from the MDE website at www.michigan.gov/mde. Select *Programs and Offices* from the menu on the right, then select *Field Services* from the menu on the left, then scroll down to *Data Collection* in the center panel and select *2001-02 Section 31a Program Report*.

IMPORTANT DATES TO REMEMBER

- C Pursuant to Public Act 141 of 1999, unless it conflicts with a calendar agreed to as part of a current collective bargaining agreement that was in effect as of May 1, 1999, **school is not to be in session on Friday, August 30, the Friday before Labor Day.**
- C **Wednesday, September 25** is the **pupil membership count day** for 2002-2003 and the second adult education participant count day of the year. (Joellen Wonsey, (517) 373-3352, WonseyJ@Michigan.gov)
- C The **SE-4096 Special Education Cost Report** for the 2001-2002 school fiscal year is due on **September 27**. (Dianne Easterling, (517) 373-6488, EasterlingD@Michigan.gov)
- C The October 2002 state school aid payment, the first payment of the 2002-2003 fiscal year, will be made on **Friday, October 18**, since the 20th falls on a non-business day.
- C Districts are required to report by **November 1** to the local health department the **immunization status** of all pupils in grades K-12 who enrolled in the district or ISD for the first time between January 1 and September 30, 2002. (Patty Lawless (517) 373-1122 LawlessP@Michigan.gov)
- C **November 1** is the deadline for local districts (including PSAs) to file their **FY2002 financial and pupil accounting audit reports** with the ISDs, and **November 15** from the ISDs to the Department. Failure to file these reports will result in the withholding of state aid. (Kathy Weller, (517) 335-6858), WellerK@Michigan.gov)
- C The **2001-2002 Form B - Annual Comprehensive Financial Report** is due from local and intermediate districts to the MDE by **November 15**. Failure to file these reports will result in the withholding of state aid. (Glenda Rader, (517) 335-0524, RaderG@Michigan.gov)

GENERAL INFORMATION

- C Proration factors for August are: **Section 56 - ISD Special Ed Millage Equalization** .9939219478, **Section 62 - ISD Vocational Ed Millage Equalization** .9876121642 (Dan Hanrahan, (517) 335-0521, Hanrahand@Michigan.gov)

*Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or **Dan Hanrahan, Acting Director, State Aid & School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: HanrahanD@Michigan.gov.